

CITY OF ODEBOLT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2010

TABLE OF CONTENTS

	<u>Page</u>
Officials	3
Independent Auditor's Report	4-5
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statement:	
Statement of Activities and Net Assets - Cash Basis	A 6-7
Governmental Fund Financial Statement:	
Statement of Cash Receipts, Disbursements, and	
Changes in Cash Balances	B 8-9
Proprietary Fund Financial Statement:	
Statement of Cash Receipts, Disbursements, and	
Changes in Cash Balances	C 10
Notes to Financial Statements	11-16
Required Supplementary Information:	
Budgetary Comparison Schedule of Receipts, Disbursements,	
And Changes in Balances - Budget and Actual (Cash Basis) -	
All Governmental Funds and Proprietary Funds	18
Notes to Required Supplementary Information - Budgetary Reporting	19
Supplementary Information:	<u>Schedule</u>
Schedule of Cash Receipts, Disbursements, and Changes in	
Cash Balances - Nonmajor Governmental Funds	1 21
Schedule of Cash Receipts, Disbursements, and Changes in	
Cash Balances - Nonmajor Proprietary Funds	2 22
Schedule of Indebtedness	3 23
Bond and Note Maturities	4 24
Independent Auditor's Report on Internal Control over Financial	
Reporting and on Compliance and Other Matters Based on an	
Audit of Financial Statements Performed in Accordance with	
<i>Government Auditing Standards</i>	25-26
Schedule of Findings	27-29

CITY OF ODEBOLT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January, 2010)		
Ronald J. Rex	Mayor	January 2010
Keith Flink	Council Member	January 2010
Mike Hoefling	Council Member	January 2010
James Scott	Council Member	January 2010
Todd Bengford	Council Member	January 2012
R.G. Hemphill	Council Member	January 2012
Joan Godbersen	Clerk	Indefinite
Joe Heidenreich	Attorney	Indefinite
(After January, 2010)		
Ronald J. Rex	Mayor	January 2014
Todd Bengford	Council Member	January 2012
R.G. Hemphill	Council Member	January 2012
James Scott	Council Member	January 2012
Keith Flink	Council Member	January 2014
Mike Hoefling	Council Member	January 2014
Joan Godbersen	Clerk	Indefinite
Joe Heidenreich	Attorney	Indefinite

HUNZELMAN, PUTZIER & CO., PLC
CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.
RICHARD R. MOORE, C.P.A.
WESLEY E. STILLE, C.P.A. (RETIRED)
KENNETH A. PUTZIER, C.P.A. (RETIRED)
W.J. HUNZELMAN, C.P.A. 1921-1997

1100 WEST MILWAUKEE
STORM LAKE, IOWA 50588
712-732-3653
FAX 712-732-3662
info@hpcocpa.com

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
Odebolt, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of City of Odebolt, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution, by activity of the cash basis net assets, and by fund of the cash balances at July 1, 2009.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution, by activity of the cash basis net assets, and by fund of the cash balances at July 1, 2009, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of City of Odebolt as of June 30, 2010, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2011, on our consideration of City of Odebolt's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

Budgetary comparison information on pages 18 and 19 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

City of Odebolt, Iowa, has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. Supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

March 21, 2011

Hungelman, Putzier & Co.

CITY OF ODEBOLT
STATEMENT OF ACTIVITIES AND NET ASSETS – CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

Exhibit A

Functions/Programs:	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
Governmental activities:							
Public safety	\$ 129,701	\$ 1,470	\$ 41,903	\$ -	\$ (86,328)	\$ -	\$ (86,328)
Public works	143,721	1,364	106,954	-	(35,403)	-	(35,403)
Health and social services	5,594	-	-	-	(5,594)	-	(5,594)
Culture and recreation	133,646	7,686	35,345	51,477	(39,138)	-	(39,138)
Community and economic development	16,946	-	1,029	-	(15,917)	-	(15,917)
General government	74,595	275	-	-	(74,320)	-	(74,320)
Debt service	36,457	-	-	-	(36,457)	-	(36,457)
Total governmental activities	540,660	10,795	185,231	51,477	(293,157)	-	(293,157)
Business type activities:							
Water	135,799	125,495	-	-	-	(10,304)	(10,304)
Sewer	214,647	105,157	-	-	-	(109,490)	(109,490)
Garbage	75,762	69,278	-	-	-	(6,484)	(6,484)
Storm water	2,505	6,173	-	-	-	3,668	3,668
Consumer deposit	680	880	-	-	-	200	200
Total business type activities	429,393	306,983	-	-	-	(122,410)	(122,410)
Total	\$ 970,053	\$ 317,778	\$ 185,231	\$ 51,477	(293,157)	(122,410)	(415,567)
General receipts:							
Property and other city tax levied for:							
General purposes					215,621	-	215,621
Debt service					36,432	-	36,432
Local option sales tax					71,649	-	71,649
Unrestricted interest on investments					6,421	6,411	12,832
Special assessments					321	-	321
Interim loan proceeds					-	124,029	124,029
Land rent					18,425	-	18,425
Miscellaneous					412	-	412
Total general receipts					349,281	130,440	479,721
Change in cash basis net assets					56,124	8,030	64,154
Cash basis net assets beginning of year					229,641	419,984	649,625
Cash basis net assets end of year					\$ 285,765	\$ 428,014	\$ 713,779

(continued)

CITY OF ODEBOLT
STATEMENT OF ACTIVITIES AND NET ASSETS – CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

Exhibit A
(continued)

	Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities
						Total
Cash Basis Net Assets						
Restricted:						
Expendable:						
Debt service					\$ 2,201	\$ 50,274
Other purposes					150,399	-
Unrestricted					133,165	377,740
Total cash basis net assets					<u>\$ 285,765</u>	<u>\$ 428,014</u>
						<u>\$ 713,779</u>

See notes to financial statements.

CITY OF ODEBOLT
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

Exhibit B

	<u>Special Revenue</u>				<u>Total</u>
	<u>General</u>	<u>Road Use</u>	<u>Local Option Sales Tax</u>	<u>Nonmajor</u>	
Receipts:					
Property tax	\$ 166,439	\$ -	\$ -	\$ 85,614	\$ 252,053
Other city tax	-	-	71,649	-	71,649
Licenses and permits	1,745	-	-	-	1,745
Use of money and property	24,846	-	-	-	24,846
Intergovernmental	56,778	106,954	-	-	163,732
Charges for services	7,686	-	-	-	7,686
Special assessments	321	-	-	-	321
Miscellaneous	74,752	-	-	-	74,752
Total receipts	<u>332,567</u>	<u>106,954</u>	<u>71,649</u>	<u>85,614</u>	<u>596,784</u>
Disbursements:					
Operating:					
Public safety	129,701	-	-	-	129,701
Public works	36,767	106,954	-	-	143,721
Health and social services	5,594	-	-	-	5,594
Culture and recreation	133,646	-	-	-	133,646
Community and economic development	16,946	-	-	-	16,946
General government	74,595	-	-	-	74,595
Debt service	-	-	-	36,457	36,457
Total disbursements	<u>397,249</u>	<u>106,954</u>	<u>-</u>	<u>36,457</u>	<u>540,660</u>
Excess (deficiency) of receipts over disbursements	<u>(64,682)</u>	<u>-</u>	<u>71,649</u>	<u>49,157</u>	<u>56,124</u>
Other financing sources (uses):					
Operating transfers in	96,736	-	-	-	96,736
Operating transfers out	-	-	(61,908)	(34,828)	(96,736)
Total other financing sources (uses)	<u>96,736</u>	<u>-</u>	<u>(61,908)</u>	<u>(34,828)</u>	<u>-</u>
Net change in cash balances	32,054	-	9,741	14,329	56,124
Cash balances beginning of year	<u>101,111</u>	<u>-</u>	<u>117,916</u>	<u>10,614</u>	<u>229,641</u>
Cash balances end of year	<u>\$ 133,165</u>	<u>\$ -</u>	<u>\$ 127,657</u>	<u>\$ 24,943</u>	<u>\$ 285,765</u>

(continued)

CITY OF ODEBOLT
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

Exhibit B
(continued)

	<u>Special Revenue</u>				<u>Total</u>
	<u>General</u>	<u>Road Use</u>	<u>Local Option Sales Tax</u>	<u>Nonmajor</u>	
Cash Basis Fund Balances					
Reserved for debt service	\$ -	\$ -	\$ -	\$ 2,201	\$ 2,201
Unreserved:					
General fund	133,165	-	-	-	133,165
Special revenue funds	-	-	127,657	22,742	150,399
Total cash basis fund balances	<u>\$ 133,165</u>	<u>\$ -</u>	<u>\$ 127,657</u>	<u>\$ 24,943</u>	<u>\$ 285,765</u>

See notes to financial statements.

CITY OF ODEBOLT
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

Exhibit C

	Enterprise				
	Water	Sewer	Garbage	Nonmajor	Total
Operating receipts:					
Charges for services	\$ 123,457	\$ 104,907	\$ 69,278	\$ 6,173	\$ 303,815
Miscellaneous	2,038	250	-	880	3,168
Total operating receipts	125,495	105,157	69,278	7,053	306,983
Operating disbursements:					
Business type activities	100,701	101,079	75,762	3,185	280,727
Excess (deficiency) of operating receipts over operating disbursements	24,794	4,078	(6,484)	3,868	26,256
Non-operating receipts (disbursements)					
Interest on investments	2,908	2,851	652	-	6,411
Interim loan proceeds	-	124,029	-	-	124,029
Debt service	(35,098)	-	-	-	(35,098)
Capital projects	-	(113,568)	-	-	(113,568)
Net non-operating receipts (disbursements)	(32,190)	13,312	652	-	(18,226)
Net change in cash balances	(7,396)	17,390	(5,832)	3,868	8,030
Cash balances beginning of year	185,574	208,466	23,277	2,667	419,984
Cash balances end of year	\$ 178,178	\$ 225,856	\$ 17,445	\$ 6,535	\$ 428,014
Cash Basis Fund Balances					
Reserved for debt service	\$ 50,274	\$ -	\$ -	\$ -	\$ 50,274
Unreserved	127,904	225,856	17,445	6,535	377,740
Total cash basis fund balances	\$ 178,178	\$ 225,856	\$ 17,445	\$ 6,535	\$ 428,014

See notes to financial statements.

CITY OF ODEBOLT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

City of Odebolt is a political subdivision of the State of Iowa located in Sac County. It was first incorporated in 1877 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, general government services, and business type activities.

A. Reporting Entity

For financial reporting purposes, City of Odebolt has included all funds, organizations, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of or appoint members to: Sac County Assessor's Conference Board, Sac County Joint E911 Board, Sac County Landfill Commission, and Sac County Emergency Management Commission.

B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in the following categories/components:

Expendable restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

CITY OF ODEBOLT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Basis of Presentation - (Continued)

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and, (2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the main operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges, and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Fund is used to account for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for monies received to be used for property tax relief and community betterment.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Enterprise, Garbage Fund accounts for the operation and maintenance of the City's system of solid waste removal.

C. Measurement Focus and Basis of Accounting

City of Odebolt maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

CITY OF ODEBOLT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Measurement Focus and Basis of Accounting - (Continued)

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program.

It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the business type activities function.

2. CASH

The City's deposits in banks at June 30, 2010, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement Number 3, as amended by Statement 40.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City

CITY OF ODEBOLT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

3. BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for general obligation notes and revenue bonds are as follows:

Year Ending June 30,	General Obligation Notes		Revenue Bonds		Total	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 21,258	\$ 5,511	\$ 25,000	\$ 8,723	\$ 46,258	\$ 14,234
2012	12,000	4,882	149,029	7,961	161,029	12,843
2013	13,000	4,223	26,000	7,198	39,000	11,421
2014	14,000	3,507	27,000	6,405	41,000	9,912
2015	15,000	2,703	28,000	5,581	43,000	8,284
2016-2020	32,000	2,760	155,000	14,488	187,000	17,248
	<u>\$ 107,258</u>	<u>\$ 23,586</u>	<u>\$ 410,029</u>	<u>\$ 50,356</u>	<u>\$ 517,287</u>	<u>\$ 73,942</u>

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$688,000 of water revenue bonds issued in December 1999. Proceeds from the notes provided financing for constructing improvements and extensions to the system. The notes are payable solely from water customer net receipts and are payable through 2020. The total principal and interest remaining to be paid on the notes is \$336,356. For the current year, principal and interest paid and total customer net receipts were \$35,098 and \$24,794, respectively.

The resolution providing for the issuance of the water revenue bonds includes the following provisions:

- a. The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- b. Sufficient monthly transfers shall be made to a separate water revenue sinking account for the purpose of making the bond principal and interest payments when due.

The City has established the sinking account required by the water revenue bond resolution.

4. PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 4.30% of their annual covered salary and the City is required to contribute 6.65% of covered salary. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2010, was \$10,521 equal to the required contributions for the year.

CITY OF ODEBOLT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

5. COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable to employees at June 30, 2010, primarily relating to the General Fund, is as follows:

Type of Benefit

Vacation	\$ <u>9,144</u>
----------	-----------------

This liability has been computed based on rates of pay in effect at June 30, 2010.

6. INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2010, is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Employee Benefits	\$ 34,828
	Local Option Sales Tax	<u>61,908</u>
		<u>\$ 96,736</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

7. INTERGOVERNMENTAL AGREEMENTS

The City has entered into an agreement with Sac County Solid Waste Agency in accordance with Chapter 28E of the Code of Iowa, to provide for the disposal of solid waste. For the year ended June 30, 2010, \$38,682 was paid pursuant to the agreement.

State and federal laws and regulations require the Agency to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The costs to the Agency for compliance with these requirements have been estimated at \$1,040,892 for the year ended June 30, 2010.

The Agency has begun to accumulate resources to fund these costs and, at June 30, 2010, assets of \$275,156 are restricted for these purposes.

The City also has entered into an agreement with Sac County in accordance with Chapter 28E of the Code of Iowa, to have the Sac County Sheriff's Office provide law enforcement services for the City. For the year ended June 30, 2010, \$41,659 was paid for law enforcement services pursuant to the agreement.

CITY OF ODEBOLT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

8. RISK MANAGEMENT

City of Odebolt is exposed to various risks of loss related to torts; theft, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

9. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description – The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 3 active and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$517 for single coverage and \$1,161 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2010, the City contributed \$29,035 and plan members eligible for benefits contributed \$36 to the plan.

10. LAND LEASE

The Odebolt Public Library and the Odebolt Fire Department own approximately 110 acres of tillable farmland. The land is subject to a lease for a term of two years beginning March 1, 2010 and ending March, 1, 2012. Lease terms are \$36,850 due each March 1.

11. SERVICE AGREEMENTS

The City has an agreement with Rudd Sanitation and Recycling for refuse collection and hauling of solid waste and recyclable materials. Payments under this agreement were \$16,266 for the year ended June 30, 2010.

12. SUBSEQUENT CONSTRUCTION CONTRACT

Subsequent to June 30, 2010 the city entered into a contract for a wastewater improvement project. The total cost is estimated to be approximately \$2,400,000 and will be financed through a \$500,000 Community Development Block Grant, \$680,000 in general obligation debt proceeds, and the remaining amount will be financed through the state revolving loan fund program.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ODEBOLT
BUDGETARY COMPARISON SCHEDULE OF
RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES –
BUDGET AND ACTUAL (CASH BASIS) – ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2010

	Governmental Funds Actual	Proprietary Funds Actual	Total	Budgeted Amounts		Final To Total Variance
				Original	Final	
Receipts:						
Property tax	\$ 252,053	\$ -	\$ 252,053	\$ 244,568	\$ 244,568	\$ 7,485
Other city tax	71,649	-	71,649	59,717	67,717	3,932
Licenses and permits	1,745	-	1,745	1,400	1,400	345
Use of money and property	24,846	6,411	31,257	7,150	7,150	24,107
Intergovernmental	163,732	-	163,732	143,089	143,089	20,643
Charges for service	7,686	303,815	311,501	295,050	295,050	16,451
Special assessments	321	-	321	-	-	321
Miscellaneous	74,752	3,168	77,920	2,950	55,000	22,920
Total receipts	596,784	313,394	910,178	753,924	813,974	96,204
Disbursements:						
Public safety	129,701	-	129,701	123,650	136,400	6,699
Public works	143,721	-	143,721	245,110	247,210	103,489
Health and social services	5,594	-	5,594	6,100	6,100	506
Culture and recreation	133,646	-	133,646	125,890	158,990	25,344
Community and economic development	16,946	-	16,946	19,600	19,600	2,654
General government	74,595	-	74,595	70,625	75,125	530
Debt service	36,457	-	36,457	36,457	36,457	-
Business type activities	-	429,393	429,393	279,500	383,610	(45,783)
Total disbursements	540,660	429,393	970,053	906,932	1,063,492	93,439
Excess (deficiency) of receipts over disbursements	56,124	(115,999)	(59,875)	(153,008)	(249,518)	189,643
Other financing sources, net	-	124,029	124,029	-	104,110	19,919
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	56,124	8,030	64,154	(153,008)	(145,408)	209,562
Balance, beginning of year	229,641	419,984	649,625	645,771	648,137	1,488
Balance, end of year	\$ 285,765	\$ 428,014	\$ 713,779	\$ 492,763	\$ 502,729	\$ 211,050

See accompanying independent auditor's report.

CITY OF ODEBOLT
NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION – BUDGETARY REPORTING
JUNE 30, 2010

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year ended June 30, 2010 the budget was amended one time which increased budgeted disbursements by \$156,560. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the business type activities function.

SUPPLEMENTARY INFORMATION

CITY OF ODEBOLT
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

Schedule 1

	<u>Special Revenue</u>			
	<u>Employee</u>	<u>Emergency</u>	<u>Debt</u>	
	<u>Benefits</u>	<u>Levy</u>	<u>Service</u>	<u>Total</u>
Receipts:				
Property tax	\$ 43,964	\$ 5,218	\$ 36,432	\$ 85,614
Other city tax	-	-	-	-
Total receipts	43,964	5,218	36,432	85,614
Disbursements:				
Debt service	-	-	36,457	36,457
Excess (deficiency) of receipts over disbursements	43,964	5,218	(25)	49,157
Other financing uses:				
Transfers out	(34,828)	-	-	(34,828)
Net change in cash balances	9,136	5,218	(25)	14,329
Cash balances beginning of year	3,869	4,519	2,226	10,614
Cash balances end of year	<u>\$ 13,005</u>	<u>\$ 9,737</u>	<u>\$ 2,201</u>	<u>\$ 24,943</u>
Cash Basis Fund Balances				
Reserved for debt service	\$ -	\$ -	\$ 2,201	\$ 2,201
Unreserved:				
Special revenue funds	13,005	9,737	-	22,742
Total cash basis fund balances	<u>\$ 13,005</u>	<u>\$ 9,737</u>	<u>\$ 2,201</u>	<u>\$ 24,943</u>

See accompanying independent auditor's report.

CITY OF ODEBOLT
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES
NONMAJOR PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

Schedule 2

	<u>Enterprise</u>		
	<u>Storm</u>	<u>Consumer</u>	
	<u>Water</u>	<u>Deposit</u>	<u>Total</u>
Operating receipts:			
Charges for services	\$ 6,173	\$ -	\$ 6,173
Miscellaneous	-	880	880
Total operating receipts	6,173	880	7,053
Operating disbursements:			
Business type activities	2,505	680	3,185
Net change in cash balances	3,668	200	3,868
Cash balances beginning of year	1,437	1,230	2,667
Cash balances end of year	<u>\$ 5,105</u>	<u>\$ 1,430</u>	<u>\$ 6,535</u>
Cash Basis Fund Balances			
Unreserved	<u>\$ 5,105</u>	<u>\$ 1,430</u>	<u>\$ 6,535</u>

See accompanying independent auditor's report.

CITY OF ODEBOLT
SCHEDULE OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2010

Schedule 3

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>	<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
General obligation notes:									
Water	October 1, 1997	5.50-5.75%	\$ 200,000	\$ 108,000	\$ -	\$ 11,000	\$ 97,000	\$ 6,065	\$ -
Fire equipment note	March 5, 2004	3.69%	160,000	40,841	-	30,583	10,258	1,855	-
Total				<u>\$ 148,841</u>	<u>\$ -</u>	<u>\$ 41,583</u>	<u>\$ 107,258</u>	<u>\$ 7,920</u>	<u>\$ -</u>
Revenue bonds:									
Water	December 15, 1999	3.00%	\$ 688,000	<u>\$ 310,000</u>	<u>\$ -</u>	<u>\$ 24,000</u>	<u>\$ 286,000</u>	<u>\$ 10,943</u>	<u>\$ -</u>
Interim revenue loan:									
Sewer	June 24, 2009	0.00%	\$ 124,029	<u>\$ -</u>	<u>124,029</u>	<u>\$ -</u>	<u>\$ 124,029</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditor's report.

CITY OF ODEBOLT
BOND AND NOTE MATURITIES
JUNE 30, 2010

Schedule 4

General Obligation Notes

<u>Year</u> <u>Ending</u> <u>June 30</u>	<u>Water Improvement</u> <u>Issued</u> <u>October 1, 1997</u>		<u>Fire Equipment</u> <u>Issued March 5, 2004</u>	
	<u>Interest</u> <u>Rates</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Amount</u>
2011	5.50%	\$ 11,000	3.69%	\$ 10,258
2012	5.50	12,000		
2013	5.50	13,000		
2014	5.75	14,000		
2015	5.75	15,000		
2016	5.75	16,000		
2017	5.75	16,000		
		<u>\$ 97,000</u>		

Payments, including
interest are \$9,696 due
each May 1 and November 1
until November 1, 2013

<u>Year</u> <u>Ending</u> <u>June 30,</u>	<u>Revenue Bonds</u> <u>Water Improvement</u> <u>Issued December 15, 1999</u>		<u>Interim Revenue Loan</u> <u>Wastewater Improvement</u> <u>Issued June 24, 2009</u>	
	<u>Interest</u> <u>Rates</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Amount</u>
2011	3.00%	\$ 25,000	0%	\$ 124,029
2012	3.00	25,000		
2013	3.00	26,000		
2014	3.00	27,000		
2015	3.00	28,000		
2016	3.00	29,000		
2017	3.00	30,000		
2018	3.00	31,000		
2019	3.00	32,000		
2020	3.00	33,000		
		<u>\$ 286,000</u>		

Payment is due in full
within three years of the
date of issue.

See accompanying independent auditor's report.

HUNZELMAN, PUTZIER & CO., PLC
CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.
RICHARD R. MOORE, C.P.A.
WESLEY E. STILLE, C.P.A. (RETIRED)
KENNETH A. PUTZIER, C.P.A. (RETIRED)
W.J. HUNZELMAN, C.P.A. 1921-1997

1100 WEST MILWAUKEE
STORM LAKE, IOWA 50588
712-732-3653
FAX 712-732-3662
Info@hpcocpa.com

Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with Government Auditing Standards

To the Honorable Mayor and
Members of the City Council
Odebolt, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, and each major fund, and the aggregate remaining fund information of City of Odebolt, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated March 21, 2011. Our report on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, expressed qualified opinions since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2009. Except as noted in the Independent Auditor's Report, we conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Odebolt's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Odebolt's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Odebolt's internal control over financial reporting.

Our consideration of internal control over financial reporting was for limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-10, I-B-10, and I-C-10 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Odebolt's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2010, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Odebolt's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit City of Odebolt's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of City of Odebolt, and other parties to whom City of Odebolt may report. This report is not intended to be and should not be used by anyone other than these specified parties.

March 21, 2011

Hungelman, Putzier & Co.

CITY OF ODEBOLT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2010

Part I: Findings Related to the Financial Statements:

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-10 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that bank deposits, opening mail, recording receipts and disbursements, checks and payroll preparation, and bank reconciliations are all handled by two individuals.

Recommendation - We realize that with a limited number of employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We have a regular part-time office assistant who helps with the above described duties and works extensively with the monthly reconciliations. All invoices require the approval of the department head and three Council Members. All invoices are reviewed on an individual basis at the regular meeting. In addition to the Clerk's signature, all checks require the signature of the Mayor, Mayor Pro-tem, or Finance Chair.

Conclusion - Response accepted.

I-B-10 Fire Department Funds - The Fire Department currently maintains separate bank accounts which are not included in the City's financial records. This is not a separate non-profit corporation, but is a department which was established by a City ordinance. Chapter 384.20 of the Iowa Code states in part, "A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose, by any city officer, employee or other person, and which show the receipt, use, and disposition of all city property. Public moneys may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation - These funds should be included in the City's financial records and any disbursements should be budgeted and properly supported by adequate documentation of public purpose.

Response - The City has allowed the Fire Department to maintain separate bank accounts for many years. We are comfortable with the City's current system and we wish to continue allowing the Fire Department to retain their own accounts. The Fire Department is a department established by City Ordinance and ultimately they are under the jurisdiction of the Mayor and City Council.

Conclusion - Response acknowledged, however, it appears there are disbursements that may be in violation of the Code of Iowa, which requires all disbursements of City funds to be budgeted. You should contact your City attorney to review the legality of these disbursements.

CITY OF ODEBOLT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2010

Part I: Findings Related to the Financial Statements: (Continued)

INTERNAL CONTROL DEFICIENCIES: (continued)

- I-C-10 Financial Reporting – We noted that while management is capable of preparing accurate financial statements that provide information sufficient for City council members to make management decisions, reporting financial data reliably in accordance with an other comprehensive basis of accounting (OCBOA) requires management to possess sufficient knowledge and expertise to select and apply accounting principles and prepare year-end financial statements, including footnote disclosures. Management presently lacks the qualifications and training to appropriately fulfill these responsibilities, which is a common situation in small entities.

Recommendation – Obtaining additional knowledge through reading relevant accounting literature and attending local professional education courses should help management significantly improve in the ability to prepare and take responsibility for reliable OCBOA financial statements.

Response – The City Clerk shall pursue the options of obtaining additional knowledge to improve in the ability to prepare and take responsibility for reliable OCBOA financial statements.

Conclusion – Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-10 Certified Budget - Disbursements during the year ended June 30, 2010, exceeded the amount budgeted in the business type activity function. Chapter 384.20 of the Code of Iowa states in part that public moneys may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – In the future we will make every attempt to amend the budget in a timely manner.

Conclusion – Response accepted.

- II-B-10 Questionable Disbursements – We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- II-C-10 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

- II-D-10 Business Transactions - We noted no business transactions between the City and City officials or employees.

CITY OF ODEBOLT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2010

Part II: Other Findings Related to Required Statutory Reporting: (Continued)

II-E-10 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-10 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not. However, The City entered into a closed sessions under Chapter 21.5(i) of the Code of Iowa to discuss personnel issues but the individual did not request that the session be closed.

Recommendation -- The City should follow proper procedure when entering into closed session.

Response -- In the future, the City will follow proper procedure when entering into closed session.

Conclusion -- Response accepted.

II-G-10 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

II-H-10 Excess Balances - The following fund has a balance at June 30, 2010, in excess of one year's expenditures:

Special Revenue - Local Option Sales Tax

Recommendation - While it appears that this fund may have an excessive balance, this can usually be justified if the City has a specific plan for future expenditures. The City should consider the necessity of maintaining this substantial balance and, where financially feasible, consider reducing the balance in this fund.

Response -- In the current fiscal year of 2011 the City has spent \$8,600 from the Local Option Sales Tax fund and plans to spend an additional \$17,000. We also have several set-aside categories in which the City anticipates using Local Option Sales Tax in the near future. One of these categories is the demolitions of dilapidated downtown buildings.

Conclusion -- Response accepted.

II-I-10 Revenue Bonds -- No instances of non-compliance with the revenue bond resolution were noted.